Shaken and Stirred: Where Trumponomics, Tariffs and Trade Wars Are Taking the Economy

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Cal State Fullerton College of Business and Economics economists Anil Puri, director of the Woods Center for Economic Analysis and Forecasting, and Mira Farka, economics professor and Woods Center co-director, provided the local and national outlook at the 2025 Economic and International Trade Forecast on April 30. The event brought together policymakers, business leaders, academics and students seeking to understand how the uncertainty impacts them.

Tariff Turmoil – And What It Means for the Future

On April 2, a day President Trump dubbed "Liberation Day," the president announced massive tariffs on goods from all foreign countries. The third and sixth largest point losses in the Dow Jones Industrial Average occurred in the first week of April. While the president's April 9 reversal – delaying most tariffs for three months to allow for negotiations – cheered the markets, concerns about the broader economic outlook persist. And tariffs are still at their highest since 1930.

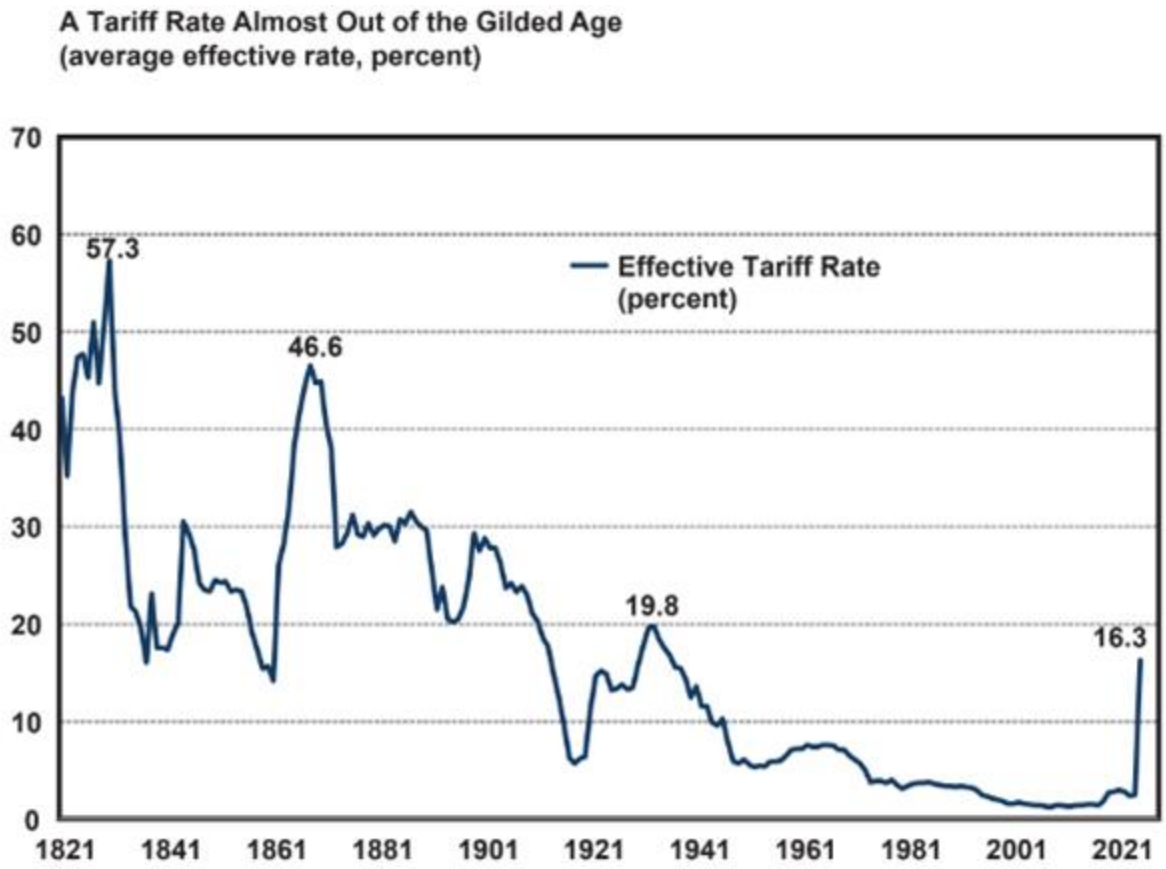
Puri and Farka note that these tariffs differ markedly from what occurred in the first Trump Administration. "Tariffs also featured prominently in Trump's first term, but their scope was far narrower, focused mainly on China and on steel and aluminum products, many of which were ultimately granted exemptions," they reported. "As Mark Twain famously quipped, 'History doesn't repeat itself, but it often rhymes.' Yes, history may rhyme—but this time, the Trump Administration isn't merely humming an old tune. It's marching to a far more militant battle hymn, judging by the speed, scope, and depth of the tariffs it has enacted."

As in Trump's first term, objectives include addressing unfair trade practices, correcting trade imbalances, shoring up national supply chains, reducing strategic vulnerabilities, rebuilding U.S. manufacturing and gaining negotiating leverage. But Puri and Farka see two new factors at play this time around.

"First, tariffs are now being used to address non-economic foreign policy issues – from immigration and fentanyl trafficking such as Mexico, Canada and China to broader geopolitical concerns, most notably Greenland. Second, they appear to be used as a revenue-generating tool to help fund proposed tax cuts. It is perhaps this last objective, often overlooked, that may prove the most consequential, because it means that even in the best-case scenario, some version of these tariffs will remain in the long haul," they said.

"The problem is that with so many objectives at once, the administration often loses track of which goal it is prioritizing at any given moment. Some goals even contradict each other – such as trying to raise revenue and support domestic manufacturing, which assumes tariffs are here to stay, while using those same tariffs as bargaining chips in trade talks, which assumes they'll be lifted," they said. "That's why interpretations of its trade agenda vary so widely: it's never quite clear what the real aim is. In fact, in our view, it is very likely that Mr. Trump is less committed to a particular fixed preference than he is to the broader conviction that tariffs, however deployed, yield a win-win outcome. If they stick, revenues rise and ideally some manufacturing returns home. If they're lowered in exchange for other countries reducing their own barriers, that's a win too – U.S. exports gain market access, and the administration gets to declare victory."

Another major economic impact of the new Trump Administration policies is the president's effort to reform the administrative state through the Elon Musk-led Department of Government Efficiency (DOGE). DOGE has drawn so many negative headlines that, just three months in, its most notable accomplishment may be slashing confidence rather than budgets. That's because reforming the bureaucratic state is both urgently needed and deeply resented.



Tariffs such as what the Trump Administration has imposed may be unprecedented in the lifetimes of most adults, but they were common in American history during the 19th century, as this chart from the economic forecast report reveals.

A Complex Outlook Muddies the Future

Puri and Farka believe that the economic outlook is softening. But in their view, none of the popularly anticipated scenarios – soft landing, full-blown stagflation or a traditional recession – are to be expected during the forecast horizon.

“The outlook is simultaneously both less frightening and more complex than each of these scenarios in isolation imply, split into two distinct phases: a bumpier, more uncertain short term, followed by a more resilient and robust long-term trajectory. While odds of a downturn have risen, we still expect the U.S. economy to skirt a recession, even as growth slows, and inflation ticks higher,” they reported. “Thus, our outlook for the remainder of the year calls for a period of heightened volatility with a ‘whiff of stagflation’ – stagflation-lite, if you will – rather than a full-blown episode.”

The economists expect the long term outlook to be brighter, buoyed by some trade deals and reduction (though not full elimination) of tariffs; tax cuts; deregulation; high-profile investments by major corporations; and a stronger outlook for Europe, where 41% of major U.S. corporate profits originate. But they acknowledge the outlook beyond the present year is more muddled than typical.

The Southern California View: An Economy Over-Exposed but Thankfully Diverse

For Orange County and Southern California, Puri and Farka anticipate many of the same challenges impacting the broader economy but amplified due to the disproportionate effects of federal policies on the Golden State economy. On tariffs particularly, the state's exposure to global trade with Mexico, China and Southeast Asia seem to foreshadow a significant impact as economic conditions evolve. California ports handle 40% of the nation's containerized imports and 30% of its exports. Additionally, the large share of federal funding to California (particularly on Medicaid) and the reliance on immigrant labor across major industries seem to suggest an outsized impact. However, the economists recognize that the region's diversified economy offers a measure of insulation.

After several years of unprecedented outright declines in population, California grew 0.12% in the year ending July 1, 2024, reaching 39.2 million. Legal immigration rebounded, net domestic out-migration abated to pre-pandemic levels, and the number of deaths declined somewhat.

"Under the current environment – marked by the Trump Administration's efforts to reduce immigration and intensify deportations – the issue of immigration has become increasingly critical for the economy and warrants closer scrutiny," said Puri and Farka. "California has long held the distinction of having the largest immigrant population in the country – both in absolute numbers and as a share of its residents. The same holds true for the number of unauthorized immigrants. While the broader debate over the value of immigration – particularly unauthorized immigration – remains contentious and beyond the scope of this report, there is little doubt that immigration has a significant impact on the U.S. economy and society. Recent administrative efforts to stabilize border crossings, increase deportations, and reduced legal immigration, though still in their early stages, are likely to carry both short- and long-term consequences. Crossings at the borders have dropped dramatically. The full extent of the administration's immigration policies is unlikely to become clear until later this year. California's economy, which relies heavily on immigrant labor from Mexico and other Latin American countries—particularly in agriculture, construction, and the leisure and hospitality sectors—could face labor shortages in these and other low-skilled industries."

Puri and Farka note that job growth in California has lagged behind the national pace for the past two years, following a rapid rebound in 2021-2022. "Not only has job growth been anemic, but it has also been worryingly lopsided, concentrated in just a few sectors. Over the past two years, the largest gains have come from Private Education and Health Services, Government, and Leisure and Hospitality. Meanwhile, one of the

state's largest sectors – Professional and Business Services – has underperformed," they reported. "This pattern is consistent at both the state level and across Southern California's counties, Orange, Los Angeles, Riverside, San Bernardino, and Ventura. Notably, two of the main drivers of job growth – Health Services and Government – are heavily dependent on public funding and subsidies. Meanwhile, growth in the Leisure and Hospitality sector slowed in 2024. Taken together, the limited and narrowly focused nature of private-sector job creation raises concerns, especially given the broader economic headwinds expected in the macro economy."

The Impact of the L.A. County Firestorms

Looking specifically at the impact of the January wildfires that ranked as the costliest natural disaster in U.S. history, largely due to the inflated property values in Los Angeles County and the fact that many commercial and multifamily housing projects were destroyed, the Los Angeles Economic Development Corporation anticipates $53 billion in property damage, but the tab is $131 billion according to UCLA when adding infrastructure losses, such as roads, power lines and public utilities.

"Insurance limitations, including the underinsurance and insurer withdrawals from the market, are expected to have uneven impacts on the affected homeowners," the economists reported. "Historically, property values in wildfire-prone areas experience temporary declines followed by gradual recovery. However, rising insurance premiums and a tightening housing supply are further straining affordability. In the wake of the fires, rental prices surged, compounding Los Angeles' already severe housing crisis."

Little Change in a Tight Housing Market That Leaves Many Out

Even outside of the fire-ravaged communities, the housing market trends that have made Southern California among the least affordable regions in the country continue: tight inventory, below-average new construction, and limited turnover. This condition makes homeownership unattainable for many young adults or those from low- to moderate incomes.

“In the near term, little is likely to shift meaningfully in the housing market,” the economists predict. “Mortgage rates, which are closely tied to long-term Treasury yields, remain highly volatile amid ongoing macroeconomic uncertainty. As discussed earlier, weakening economic conditions, combined with uncertainty around the path of interest rates, inflation, and future growth, will continue to weigh on housing demand and affordability. Given these headwinds, we expect housing prices to remain largely flat over our forecast horizon, which extends through the next 18 months.”

What Orange County Business Leaders Are Expecting

The Orange County Business Expectations Index (OCBX), which measures the sentiment of business professionals in the region, dropped precipitously in the second quarter, after rising post-election (the survey was compiled in mid-March, before the announcement of tariffs). The respondents were split on top concerns, ranging from inflation to interest rates to geopolitical risks to rising insurance costs. Yet inflation has once again taken the lead as the biggest concern, cited by 20% of respondents, followed by geopolitical woes (17%) led by the ongoing conflicts in Ukraine and the Middle East. When asked about the impact of Trump Administration policies on the economy, a variety of views exist, including 39% anticipating stagflation, 33% expecting slower growth in the short term and better times in the long-run, while 13% see stronger growth yet higher inflation, and 9% forecast solid growth and lower inflation. Only 7% see a recession due to Trump’s policies.

For More on Economic Forecasts

Cal State Fullerton’s College of Business and Economics provides twice annual in-depth economic forecasts, as well as regular updates during times of epochal change, such as COVID, the War in Ukraine and the tariff turmoil.

To read the full report presented at the April 30 event or other recent publications, visit the Woods Center’s website. Or read more of our articles on economic forecasts.